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This forecast uses the August, 1983, U.S. Department of Commerce second estimates of 1983:2 National Income and Product data, and the 1982 benchmark revision data. Also used is the July 1983, Board of Governors of the Federal Reserve System release of the Index of Industrial Production, and the latest available data on prices, employment, industrial, and financial developments.

1.00 EXECUTIVE SUMMARY, OVERVIEW, AND ASSUMPTIONS

1.01 EXECUTIVE SUMMARY

Recent action by the Fed had been expected here for a long time. It will help slow growth to a pace that will last a few years. Federal deficits will remain high and will not influence interest rates. The amount of red ink will not bring recovery to a halt. REAL GROWTH The decline in housing starts, lackluster retail sales, and the downward move of durable orders are positive, corrective moves to slow growth from the breakneck pace of the second quarter. A real plus was the gain in productivity and in factory operation rate. PRICES Forecast remains the same with KEDI anticipating inflation this year close to 3.2 percent--lower than many. EMPLOYMENT Fourth quarter joblessness is set at 9.26 percent this year and 8.04 next year. HOUSING Recent declines here confirm the trend KEDI has been projecting. Starts will total in the 1.6 million range this year or over 57 percent above last year. Still, that is below normal averages. AUTOS August brought more sales and higher production targets. The forecast of 6.5 million domestic auto sales in 1983 is not changed. BUDGETS The forecast is changed with the calendar year deficits for this year and next being lowered. INCOME The news here was on the good side. Wage gains have not been cancelled by inflation. Corporate profits are on the way up. MONEY AND CREDIT Tightening by the Fed forecast here has become reality. The Fed have "a narrow row to hoe" to curtail excessive growth and encourage moderate growth with low inflation. INTEREST RATES, YIELDS,AND SECURITIES PRICES Interest rates are not seen as gaining much more. Recent hikes will aid in moderating growth. KEDI's forecast of the stock market remains unchanged--strong performance in the rest of 1983 and in 1984.

1.02 OVERVIEW

In the last issue, KEDI cautioned that if torrid growth of the economy were to continue, then the U.S. would find itself in another "Jimmy Carter boom" with high inflation and interest rates. That is not expected by this Institute.

OVERVIEW

Three basic elements are involved in the view at KEDI.

1. It is expected here that the Federal Reserve will continue to be restrictive and will aid in slowing robust growth to a pace that can be sustained.
2. KEDI does not anticipate any dramatic increases in federal taxes.
3. The iconoclastic view that big deficits will neither harm the recovery nor crowd private business out of the market is maintained.

THESE OUTLOOKS HAVE BEEN HELD HERE FOR TWO YEARS. Now other economists are beginning to publically agree with such forecasts. For example, Michael Evans of Evans Economics referred to a collapse that would have taken place if second quarter growth rates would have continued. Newsweek used "Interest rates have risen, but for the time being this may be a good thing." as a subheadline. (Aug.22, 1983, page 46.) There is no doubt at KEDI that it is a good thing. Actual developments are confirming the outlook that has been held here for quite some time: Moderate growth is forecast. As to deficits, there has not been any proof that red ink and interest rates have a direct relationship.

In the second half of 1982, interest rates went down while the deficit went up.

In the first half of 1983, interest rates stabilized and the deficit went up.

In the second part of this year, deficits are seen as holding or edging down a tad, while interest rates move up some and then level.

The most vociferous proponents of the theory that government demand for credit will crowd out the needs of business for financing are NOW becoming silent. If the theory is mentioned at all, it is spoken of as becoming reality some time in the distant future--1985 or 1986 or so.

Interest rates have been going up. KEDI has been predicting for two years that they would increase in the second half of 1983. The Fed action is seen as on the mark here. The rates need to be a bit higher in order to help slow the excessive speed of recovery reached in the second quarter and prevent the economy from running out of steam by accelerating too fast. The second quarter expansion of 9.2 percent was too rapid.

The members of the FED's Open Market Committee stated in mid-August that

KEDI FORECAST HIGHLIGHTS

TABLE 1.00

Indicator	Unit	1982	1983	1986	1987
Gross national product	bil. 1972$	1485.4	1528.6	1715.8	1790.7
Index of industrial production	1967= 100	138.6	146.6	184.9	192.0
Capacity utilization	%	71.7	74.4	81.5	80.9
Unemployment rate	%	9.72	9.77	7.31	7.50
Private housing starts	mil.	1.061	1.599	1.708	1.575
Car sales	mil.	8.0	8.8	9.8	9.4
Implicit GNP price deflator	1972= 100	206.9	216.0	249.7	262.9
Consumer price index	1967= 100	288.6	297.7	342.0	360.2
Producer price index*	1967= 100	280.6	286.3	342.7	363.8
Federal deficit	bil.$	-147.1	-175.0	-98.6	-83.1
Personal income	bil.$	2587.6	2750.0	3450.3	3702.2
Prime rate	%	14.86	10.81	11.73	11.36
Mortgage rate	%	15.57	12.88	13.02	12.95
Currency plus demand deposits	bil.$	475.4	511.0	622.1	666.3
Commercial and industrial loans	bil.$	393.2	412.1	456.2	479.9

* Finished goods

OVERVIEW

the Federal Reserve would pursue tighter monetary policy during the rest of this year. That is tied to interest rates moving ahead as the law of demand and supply enter.

There is the positive side cropping up already. As monetary growth was curbed by the Fed, it helped to slow the booming pace of housing.

The Administration is right in finally being concerned about the economy growing at a rate that is excessive. They are right to be concerned about the prospects of renewed inflation and sharply higher interest rates that could lead to the collapse of growth. Boom and bust is not needed. There is a fine line to walk to keep interest rates high enough for a while to sustain modest growth but not so high as to lead recovery to a fall.

The forecast is not changed. Moderate growth will continue into 1984. Interest rates will go up slightly, but be fairly stable in the first half of the next year and edge down a bit in the second half. The policy of the Federal Reserve has to remain restrictive for the rest of this year and be on alert in 1984. There should be no increases in taxes next year. Then everything will be fine in terms of a nicely paced recovery.

1.03 ASSUMPTIONS

The following assumptions are part of this forecast. Compared with assumptions incorporated into the last issue, no changes took place.

1. In 1983, it is expected the weighted price of oil will be $27 per barrel; in 1984 it will go up to $29 per barrel; in 1985, to $30 per barrel; in 1986, to $32 per barrel; and in 1987, $34 per barrel.

2. It is expected that the Mid East problems will continue throughout this year and more normal economic conditions, including a significant resumption in the area of oil exports, will take place not earlier than in 1984.

3. High interest rates and restrictive monetary and credit policies will generally prevail in the 1983-1987 period. In the second half of 1983 some increases in interest rates, and in 1984-1985 stabilizing is expected.

4. Increases in state and local taxation in 1983-1986 are anticipated.

5. In 1984 and 1985 good harvests are assumed for this country, and average production of crops is expected in the U.S.S.R. and China. U.S. record crops are expected in 1986-1987.

ASSUMPTIONS

6. Average rates of growth in 1983-1986 in the major industrial countries are anticipated: West Germany 2.9%; Italy 2.5%; Great Britain 2.3%; France 2.4%; Japan 2.6%.

7. No drastic changes in international relationships are anticipated.

The September 1983 KEDI forecast is highlighted on page 3.

1.10 REAL GROWTH

(Tables 1.10 and 1.11 on pages 7 and 9)

As KEDI forecast, signs of cooling of the robust growth in the first part of this year have been appearing. In order for growth to last it needs to have its strength more evenly used.

Due to the unexpected excessive growth in the second quarter with GNP leaping ahead 9.2 percent, the following developments are seen here in a positive light. That is, slight declines or very small gains are seen as corrective.

1. The annual pace of housing starts edged down in July from the June level. (See section 1.41, Housing.) Starts are forecast here as becoming stable.

2. While construction spending moved up by 6.5 billion to an adjusted rate of $259.7 in June, the value of new construction slowed down significantly in July. That ended the surge of May and June that broke records.

3. Despite the July first tax cut, retail sales were about the same in July as they were in June. Preliminary estimates show a .03 decline. The August retail sales will be strong but mostly due to the auto sales while the other sales will increase not as significantly.

4. New orders for durable goods were down in July. That followed four months of gains. They reached an adjusted total of $87.60 billion.

5. Steel orders moved up just a bit. The gain is seen as seasonal. Production of steel was off in the third week of August from the prior week. The industry was operating at 53.7 percent capacity.

6. Orders for new manufactured goods were off 1.7 percent in July as opposed to the gain in June of 5.1 percent. The July downturn was attributed to

REAL GROWTH

a reversal in orders for big-ticket durables. Orders for nondefense capital goods were off 11.3 percent from June.

KEDI agrees with Robert Wescott from Wharton in the assessment that the fall in orders certainly points to the Fed's tightening as beginning to bring results.

The first six points are seen as ALL TO THE GOOD. It was necessary that some adjustment take place so the growth could proceed at a slower AND longer lasting rate. The declines have not meant that the recovery was in jeopardy. It has meant that the economy has moved to the correct path of a moderate pace of growth. That will become more widespread and it will avoid getting inflation embers on fire.

There are many signs that growth is solidly based. Declines that are really adjustments have not meant the start of a new downturn. Positive developments are outlined here.

1. The factory operating rate was up to 75.8 percent of capacity in July. That represents the highest rate in 20 months.

2. Factory shipments were up in June to an adjusted rate of $172.52 billion. The July and August figures are expected to show a stabilization or marginal increases. After increasing steadily since late last year, an adjustment was needed.

3. Both new and unfilled orders gained in June and July.

4. Business productivity showed a 4.3 percent seasonally adjusted gain in the second quarter. Such increases are one element in keeping inflation from taking off again.

5. Inventories were up by 0.4 percent in July. That was the largest gain since late in 1981.

6. Industrial production rose a seasonally adjusted 1.8 percent in July.

All in all, the developments are seen as healthy. There has been some pulling of the reins so the course could be completed. The moderation of the pace points to a longer period of growth.

Allan Greenspan pointed to growth of close to a 9 percent annual rate after adjustment for inflation in this third quarter as production increases

TABLE 1.11 SELECTED INDICATORS OF REAL GROWTH

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983 1	1983 2	1983 3	1983 4	1983	% (1)
Gross national product,1972$	bil. 1972 $	1485.4	1490.1	1523.4	1540.8	1560.1	1528.6	2.9
Index of industrial product.	1967=100	138.6	138.5	144.0	150.3	153.6	146.6	5.8
Unemployment rate	%	9.7	10.3	10.1	9.4	9.3	9.8	.5
Capacity utilization rate	%	71.1	70.7	73.8	75.5	77.6	74.4	4.6
Private housing starts	mil. units	1.061	1.694	1.684	1.604	1.414	1.599	50.7
Car sales	mil. units	8.0	8.4	8.8	8.9	9.0	8.8	10,0

Indicator	Unit	1983	1984 1	1984 2	1984 3	1984 4	1984	% (1)
Gross national product,1972$	bil. 1972 $	1528.6	1567.3	1584.7	1606.8	1632.8	1597.9	4.5
Index of industrial product.	1967=100	146.6	157.3	160.5	164.5	167.1	162.4	10.7
Unemployment rate	%	9.8	9.0	6.8	8.2	8.0	8.5-12.7	
Capacity utilization rate	%	74.4	78.8	79.8	80.6	81.6	80.2	7.8
Private housing starts	mil. units	1.599	1.465	1.827	1.849	1.603	1.686	5.4
Car sales	mil. units	8.8	9.1	9.0	9.4	9.5	9.2	4.5

Indicator	Unit	1984	1985 1	1985 2	1985 3	1985 4	1985	% (1)
Gross national product,1972$	bil. 1972 $	1597.9	1636.7	1646.8	1660.2	1672.1	1654.0	3.7
Index of industrial product.	1967=100	162.4	169.1	171.3	172.8	173.4	171.7	3.7
Unemployment rate	%	8.5	7.9	7.9	7.8	7.9	7.9	-7.6
Capacity utilization rate	%	80.2	81.8	82.0	81.1	80.3	81.3	1.4
Private housing starts	mil. units	1.686	1.400	1.772	1.690	1.353	1.579	-6.3
Car sales	mil. units	9.2	9.3	9.5	9.3	9.7	9.5	3.3

*Historical data (1) % change over previous year

REAL GROWTH

continue for the general purpose of building inventories. In the last quarter of this year, he forecasts growth, inflation adjusted,of less than 5 percent. KEDI forecast shows lower figures--8.4 percent for this quarter and 4.8 per cent for the fourth quarter of this year.

Stephen Roach of Morgan Stanley & Co. cited interest rates as slowing the recovery to growth of 5.9 percent in the last quarter of this year as compared to the last quarter of 1982. In 1984, he anticipates growth of 4.8 percent. Growth next year is expected to be close to 4.5 percent by KEDI.

1.20 PRICES AND NOMINAL GNP

1.21 PRICES

(Table 1.21 on page 11)

The forecast is not changed. Inflation for 1983 will be in the 3.0-3.5 percent range --a very moderate pace, indeed. For 1984, the rate will move up to the 4.5 percent range. KEDI obviously doe not agree with the majority of forecasters that point to inflation of 4 percent this year and 6 percent next year.

Consumer prices went up by a seasonally adjusted 0.4 percent in July or 4.8 percent annually before compounding. That is good news. The forecast for food prices is that they will increase approximately by the same amount as they did in the last year. Meat prices will show lower gains during the rest of this year. In the spring of 1984, they will increase more.

KEDI does not agree with Susan Lakatos of the forecasting firm of Washington Analysis Corp. She refers to the drought as contributing to a consumer price hike of about 4 percent this year. In 1984, she expects inflation in the 5-6 percent range. Such gains are seen here as just too high.

Producer prices rose by 0.1 percent in July. In the first seven months of this year, such prices were off by 0.7 percent. The modest July gain is good news.

HOWEVER, the prices of crude materials excluding energy are shooting up. Steel prices were increased by five leading steelmakers an average 7 percent for sheet and strip. Due to the drought, grain prices will start to shoot ahead in no time at all. The crude prices moving ahead may help rekindle inflationary pressures, but KEDI does not expect that to be significant. The forecast is maintained.

TABLE 1.12 REAL GNP

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983 1	2	3	4	1983	% (1)
Gross national product	bil.$	1485.4	1490.1	1523.4	1540.8	1560.1	1528.6	2.9
Personal cons. expenditures	bil.$	970.2	976.3	1009.9	1021.3	1030.4	1009.5	4.1
Gross private dom. investment	bil.$	194.5	196.7	210.6	218.5	230.8	214.2	10.1
Net exports	bil.$	29.4	24.6	11.0	6.8	3.2	11.2	-66.3
Government purchases:		116.4	117.9	117.6	118.1	118.9	118.1	2.1
Federal	bil.$	174.9	174.6	174.3	176.1	176.8	175.5	.3
State and local	bil.$							

Indicator	Unit	1983	1984 1	2	3	4	1984	% (1)
Gross national product	bil.$	1528.6	1567.3	1584.7	1606.8	1632.8	1597.9	4.5
Personal cons. expenditures	bil.$	1009.5	1041.3	1055.6	1069.3	1084.6	1062.7	5.1
Gross private dom. investment	bil.$	214.2	231.6	236.1	240.4	245.7	238.5	11.3
Net exports	bil.$	11.2	-2.1	-6.2	-4.3	-1.0	-3.4	-
Government purchases:		118.1	120.1	121.9	122.9	124.1	122.3	3.6
Federal	bil.$	175.5	176.4	177.3	178.5	179.4	177.9	1.4
State and local	bil.$							

Indicator	Unit	1984	1985 1	2	3	4	1985	% (1)
Gross national product	bil.$	1597.9	1636.7	1646.8	1660.2	1672.	1654.0	3.7
Personal cons. expenditures	bil.$	1062.7	1086.5	1091.4	1096.8	1102.7	1094.4	3.2
Gross private dom. investment	bil.$	238.5	247.2	249.2	252.5	255.6	251.1	5.3
Net exports	bil.$	-3.4	-2.2	-1.0	1.1	1.2	-.3	-
Government purchases:		122.3	124.9	125.6	126.8	128.4	126.4	3.3
Federal	bil.$	177.9	180.3	181.6	183.0	184.2	182.3	2.5
State and local	bil.$							

*Historical data (1) % change over previous year

PRICES

This Institute does not agree with economists that see the crude price gains as a distinct warning that inflation will take off again. KEDI shares the view that do not see the gains as a threat. John H. Ortego of Chase Econometrics noted that such prices are still below their 1981 peak.

Raw material prices are volatile. As Geoffrey Moore of the Center for International Business Cycle Research pointed out, other indexes do not show any threatening gains.

1.22 NOMINAL GNP

(Table 1.22 on page 13)

As compared with the previous forecast the main differences in projected values of GNP and components are the following:

1. Slower growth of Gross Private Domestic Investment during the rest of 1983 and throughout 1984 and 1985 is anticipated mainly due to the upward revision of projections of some interest rates and lower projections of business inventories buildup.
2. More favorable developments in the U.S. foreign trade. KEDI maintains its projection of the international value of dollar--it will remain strong throughout 1983-1985 with negative effect on the U.S. balance of trade. However, the larger than previously anticipated exports of grain and other agriculture products will positively influence the trade relations. As a result, the projection of Net Exports for the rest of 1983 and for 1984-1985 has been slightly increased.
3. Projected data for Personal Consumption Expenditures has been increased due mainly to the upward revision of expected retail sales of nondurable goods and services in 1985.

Changes #1.-#3. do not significantly affect the structures of GNP as projected for 1984-1985.

1.30 EMPLOYMENT AND LABOR

(Table 1.30 on page 15)

The projection remains essentially unchanged. The fourth quarter rate of unemployment for this and the next two years is:

1.21 PRICES

(Unless otherwise stated, quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983 1	1983 2	1983 3	1983 4	1983	% (1)
Consumer price index,n.s.a.	1967=100	288.6	293.1	296.2	299.2	302.3	297.7	3.2
Producer price index,n.s.a.**	1967=100	280.6	283.7	284.9	287.5	289.2	286.3	2.0
Price deflators:								
GNP	1972=100	206.9	212.8	214.7	217.2	219.4	216.0	4.4
Personal cons. expenditures	1972=100	205.3	209.0	212.7	214.3	216.1	213.0	3.8
Gross private dom.investment	1972=100	213.1	212.9	214.2	224.3	228.7	220.0	3.2
Federal purchases	1972=100	221.9	230.0	231.9	233.2	234.7	232.5	4.8

Indicator	Unit	1983	1984 1	1984 2	1984 3	1984 4	1984	% (1)
Consumer price index,n.s.a.	1967=100	297.7	305.7	309.7	312.7	315.4	310.9	4.5
Producer price index,n.s.a.**	1967=100	286.3	294.6	297.8	303.0	308.9	301.1	5.2
Price deflators:								
GNP	1972=100	216.0	222.3	224.8	227.5	231.2	226.5	4.9
Personal cons. expenditures	1972=100	213.0	218.2	220.1	221.8	224.8	221.2	3.8
Gross private dom.investment	1972=100	220.0	231.3	233.5	235.7	241.4	235.5	7.0
Federal purchases	1972=100	232.5	236.8	240.2	243.9	247.6	242.1	4.1

Indicator	Unit	1984	1985 1	1985 2	1985 3	1985 4	1985	% (1)
Consumer price index,n.s.a.	1967=100	310.9	317.9	322.0	327.0	333.4	325.1	4.6
Producer price index,n.s.a.**	1967=100	301.1	314.4	318.2	323.3	327.4	320.8	6.5
Price deflators:								
GNP	1972=100	226.5	234.2	236.9	239.0	240.3	237.6	4.9
Personal cons. expenditures	1972=100	221.2	227.8	230.9	233.4	235.6	231.9	4.8
Gross private dom.investment	1972=100	235.5	243.1	244.9	245.3	246.8	245.0	4.0
Federal purchases	1972=100	242.1	248.1	249.2	251.2	253.7	250.5	3.5

*Historical data (1) % change over previous year **Finished goods

EMPLOYMENT AND LABOR

	Unempl. Rate
1983:4	9.26
1984:4	8.04
1985:4	7.85

It was good news that in July there was a decline of 365,000 in the number without jobs for six months or more. KEDI anticipates that the August unemployment rate will either remain the same as in July or will move further down only marginally, but the number of persons unemployed for six months or longer will decline significantly.

Overall, in July, the unemployment rate moved down to an adjusted 9.5 percent of the labor force from 10.0 percent, and the rate for married men to 6.1 percent from the 6.6 percent in June.

Total employment went up by almost one-half million in July to a seasonally adjusted 101,285,000 total. Since the recession ended late last year, there has been an increase in the number of employed of over 2.1 million. There has been a 2.2 percent gain in the number employed from last November through July.

The Administration has forecast that unemployment rate would average about 9.6 percent in the last quarter of this year. KEDI sees that forecast as just a bit too high.

1.41 HOUSING

(Table 1.41 on page 17)

For the past two months, KEDI has been forecasting a decline in the fast rate of growth of the first quarter. That rate could not be continued. The slight decline in July confirms the forecast.

Construction of new houses was off by 0.6 percent in July. Most important, there was a drop in the annual rate of work on single-family houses to 1 million from the June level of 1.1 million. Between June and July, the drop was 11.9 percent in starts of single-family houses.

KEDI agrees with Robert Scott of Chase Econometrics that the boom is past. The housing industry is settling into a pattern that can still be considered

2.22 NOMINAL GNP

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983 1	2	3	4	1983	% (1)
Gross national product	bil.$	3073.0	3171.5	3270.1	3346.9	3423.6	3303.0	7.5
Personal cons. expenditures	bil.$	1991.9	2069.4	2148.4	2188.6	2226.7	2158.3	8.4
Gross private dom. investment	bil.$	414.5	404.1	451.2	490.1	527.8	468.3	12.9
Net exports	bil.$	17.4	20.5	-12.3	-24.6	-32.7	-12.3	-
Government purchases:		258.7	273.5	272.7	275.4	279.1	275.2	6.4
Federal	bil.$	390.5	404.0	409.4	417.4	422.7	413.4	5.8
State and local	bil.$							

Indicator	Unit	1983	1984 1	2	3	4	1984	% (1)
Gross national product	bil.$	3303.0	3483.6	3561.9	3655.0	3774.4	3618.8	9.6
Personal cons. expenditures	bil.$	2158.3	2272.1	2323.4	2371.7	2438.2	2351.4	8.9
Gross private dom. investment	bil.$	468.3	535.7	551.3	566.6	593.1	561.7	19.9
Net exports	bil.$	-12.3	-37.2	-41.0	-26.5	-19.3	-31.0	-
Government purchases:		275.2	284.3	292.8	299.8	307.3	296.1	7.6
Federal	bil.$	413.4	429.7	435.4	443.4	455.1	440.7	6.6
State and local	bil.$							

Indicator	Unit	1984	1985 1	2	3	4	1985	% (1)
Gross national product	bil.$	3618.8	3833.1	3901.8	3968.6	4020.0	3930.9	8.6
Personal cons. expenditures	bil.$	2351.4	2475.0	2520.0	2560.0	2578.4	2533.4	7.7
Gross private dom. investment	bil.$	561.7	600.9	610.3	619.4	630.8	615.4	9.6
Net exports	bil.$	-31.0	-11.0	-6.2	-1.6	-4.2	-3.7	-
Government purchases:		296.1	309.9	313.0	318.5	325.8	316.8	7.0
Federal	bil.$	440.7	458.3	464.7	472.3	480.8	469.0	6.4
State and local	bil.$							

*Historical data (1) % change over previous year

HOUSING

quite in line with recovery.

Demand is clearly going down from the earlier high levels. It will edge down during the rest of the year, but will still be ahead of 1982. Harry Pride of the National Association of Home Builders pointed out quite correctly that "Builders won't build what they can't sell and sales have already started falling as a result of rising interest rates." (Akron Beacon Journal, Aug. 17, 1983, page D1.)

Resales of single-family homes were off by 4.4 percent in July to an annual rate of 2.81 million. Still resales were 47 percent above the year-earlier total. The main reason is the increased mortgage rates. KEDI projects they will remain relatively high. The rate hikes from about 12 percent to 13.5 or 14 percent in July added about $100 more a month to the mortgage on a $77,200 house, for example, even with 20 percent down and a government-backed mortgage.

1.42 AUTOMOBILES

(Table 1.42 on page 19)

There has been good news here. First, in mid-August, indefinite layoffs were at their lowest levels since late 1981. Second, car sales for the August 11-20 period gained 22.4 percent. That was equal to an adjusted yearly rate of 6.6 million units. Although the mid-August rate was down from the July rate, the change was due more to a declining supply of cars in dealers' lots than to any decline in consumer enthusiasm. Sales for the industry in the first 20 days of August were up 31.3 percent.

Production goals for the fourth quarter of this year was increased by major domestic automakers. The target is 61.6 percent above the last quarter of the depressed 1982 year.

The car recovery appears strong when looking at the sad state of the industry in the past few years. Sales in the 6.7 million range forecast frequently, are quite removed from the nine million plus sold in 1978. KEDI still expects domestic car sales to total 6.5 million in 1983, or close to 12 percent ahead of the 1982 total. The forecast for trucks is raised a bit in this issue.

TABLE 1.30 EMPLOYMENT AND LABOR

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983 1	2	3	4	1983	% (1)
Population	mil.	229.6	231.5	232.2	232.9	233.4	232.5	1.3
Civilian labor force	mil.	110.2	110.5	111.1	112.4	113.8	112.0	1.6
Employment	mil.	99.5	99.1	100.0	101.9	103.3	101.1	1.6
Agriculture	mil.	3.4	3.4	3.4	3.4	3.4	3.4	.0
Non agricult.	mil.	96.1	95.7	96.6	98.5	99.9	97.7	.5
Unemployment rate	%	9.72	10.34	10.10	9.37	9.26	9.77	-5.5

Indicator	Unit	1983	1984 1	2	3	4	1984	% (1)
Population	mil.	232.5	234.5	235.1	236.0	236.9	235.7	1.4
Civilian labor force	mil.	112.0	113.1	114.2	115.1	116.2	114.7	2.4
Employment	mil.	101.1	102.9	104.1	105.7	106.9	104.9	3.8
Agriculture	mil.	3.4	3.4	3.4	3.4	3.4	3.4	.0
Non agricult.	mil.	97.7	99.5	100.7	102.3	103.5	101.5	3.9
Unemployment rate	%	9.77	9.02	8.84	8.21	8.04	8.53	-12.7

Indicator	Unit	1984	1985 1	2	3	4	1985	% (1)
Population	mil.	235.7	237.5	238.1	239.1	240.1	238.7	1.3
Civilian labor force	mil.	114.7	117.7	119.3	121.6	123.2	120.5	5.1
Employment	mil.	104.9	108.4	109.9	112.1	113.5	111.0	5.8
Agriculture	mil.	3.4	3.4	3.4	3.4	3.4	3.4	.0
Non agricult.	mil.	101.5	105.0	106.5	108.7	110.1	107.6	6.0
Unemployment rate	%	8.53	7.94	7.91	7.84	7.85	7.89	-7.6

*Historical data (1) % change over previous year

AUTOMOBILES

As to prices, many potential buyers are driven back by the high costs. Since 1970, typical auto prices have gone up 30-60 percent whereas median family income rose 21 percent to about $23,700. The cheapest car made by General Motors, a four-door Chevette went up by 37 percent to $6,218. A Ford Mustang jumped 50 percent to $9,808. (The Wall Street Journal, August 3, page 1.) It has been estimated that price hikes of the last four years meant about three-fourths of a million people have made do with the old car or brought a used one instead.

1.50 BUDGETS

(Table 1.50 on page 21)

The forecast here is slightly changed. The good news is that the federal deficit projected for calendar years 1983 and 1984 is decreased. For 1985, there is a small increase.

FEDERAL DEFICITS
(Calendar years, bil. $)

KEDI August Forecast		KEDI September Forecast	
1983	-192.1	1983	-175.0
1984	-164.8	1984	-153.1
1985	-110.1	1985	-113.0

Calculations show that gradual declines in the deficit will come mainly from gains in receipts from federal income and corporate taxes. Figures here assume there will not be any significant changes in the existing tax structure. In other words, the deficits will be decreasing without any significant adjustments of tax rates.

It does not appear that the calls of some economists for hiking of taxes is essential in deficit reduction. It must be remembered that other factors such as receipts increasing play a significant role in the debits and credits of our government.

1. Due to the lowering of the inflation rate, there will be smaller gains in budgetary expenditures than had been when inflation was in double digits.

2. Corporate profits will be making significant gains. That automatically

TABLE 1.41 HOUSING

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983 1	1983 2	1983 3	1983 4	1983	% (1)
Single-family housing starts	mil.	.656	1.079	1.099	1.001	.846	1.006	53.3
Multifamily housing starts	mil.	.405	.615	.585	.603	.568	.593	46.4
Mobile home shipments	mil.	.239	.281	.293	.284	.287	.286	19.8
Permits authorized	mil.	1.000	1.464	1.639	1.625	1.510	1.560	56.0
1-family unit** price, new	tho.$	84.0	87.1	91.4	93.4	94.6	91.6	9.1
1-family unit** price,existing	tho.$	80.3	80.5	82.1	83.4	85.0	82.8	3.1

Indicator	Unit	1983	1984 1	1984 2	1984 3	1984 4	1984	% (1)
Single-family housing starts	mil.	1.006	.889	1.182	1.196	.981	1.062	5.6
Multifamily housing starts	mil.	.593	.576	.645	.653	.622	.624	5.2
Mobile home shipments	mil.	.286	.274	.289	.286	.280	.282	-1.4
Permits authorized	mil.	1.560	1.330	1.592	1.614	1.548	1.512	-2.5
1-family unit** price, new	mil.	91.6	96.8	98.4	99.7	103.8	99.7	8.8
1-family unit** price,existing	tho.$	82.8	85.7	88.3	91.2	94.5	90.0	8.6

Indicator	Unit	1984	1985 1	1985 2	1985 3	1985 4	1985	% (1)
Single-family housing starts	mil.	1.062	.910	1.108	1.064	.826	.977	-8.0
Multifamily housing starts	mil.	.624	.590	.654	.626	.527	.602	-3.6
Mobile home shipments	mil.	.282	.260	.267	.235	.214	.244	-13.5
Permits authorized	mil.	1.521	1.382	1.129	1.014	1.058	1.146	-17.1
1-family unit** price, new	tho.$	99.7	105.6	107.2	109.1	110.3	108.1	8.4
1-family unit** price,existing	tho.$	90.0	96.2	98.1	99.0	100.1	98.4	9.3

*Historical data (1) % change over previous year **Not seas. adjusted

BUDGETS

creates higher corporate income tax receipts.

3. Increased employment means that there will be gains in personal income tax receipts--in KEDI's forecast significantly larger than generally anticipated.

There are no essential changes in the forecast of state and local budgets.

1.60 INCOME

(Table 1.60 on page 23)

Mild good news: Personal income was up a bit in July. It rose a modest 0.6 percent. The June gain was 0.5 percent. More important is the result of the July 1 tax cut. That reduced federal personal income taxes by $29 billion, at an annual rate, raising pay that made it to pockets of the employed.

Personal savings gained 5 percent in July. That is the right direction, but it is still low. It is not very good that the yearly average of personal savings was still below the rate of last year. A comparison is given.

PERSONAL SAVINGS
(bil. $)

1982 year average	125.4	
1983 first quarter	121.7	(seasonally adj., annual rate)
1983 second quarter	89.4	(seasonally adj., annual rate)
1983 July 1983	111.5	(seasonally adj., annual rate)

It is also a healthy sign that increases in income have not been wiped out by inflation. The median pay rise for the first six months of this year was at an annual rate of 3.9 percent. That is better than the 3.2 percent inflation rate of that period. Hence, there was improvement in spending power. The average one-worker family earned $320 per week in the second quarter. Were both husband and wife worked, the avreage was $517.

The Labor Department reported that 1.2 million workers covered by contracts settled between January and the end of June got pay hikes averaging 2.7 percent over the life of the contracts and 0.9 percent in the first year. KEDI agrees with Robert Ortner of the Commerce Department that modest pay hikes in multi-year contracts help verify that inflation will remain on the moderate side for the next few years.

TABLE 1.42 AUTOMOBILES

(Unless otherwise stated, quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983 1	2	3	4	1983	% (1)
Passenger cars								
Total sales	mil.	8.0	8.4	8.8	8.9	9.0	8.8	10.0
Domestic	mil.	5.8	6.0	6.6	6.7	6.8	6.5	12.0
Imported	mil.	2.2	2.4	2.2	2.2	2.2	2.3	4.5
Dealers inventories**	mil.	1.9	1.2	1.2	1.1	1.3	1.2	-26.8
Factory shipments	mil.	5.0	6.0	6.7	6.7	6.9	6.6	32.0
Light-duty truck sales	mil.	2.1	1.9	2.4	2.3	2.2	2.2	4.8

Indicator	Unit	1983	1984 1	2	3	4	1984	% (1)
Passenger cars								
Total sales	mil.	8.8	9.1	9.0	9.4	9.5	9.2	4.5
Domestic	mil.	6.5	6.6	6.8	6.9	7.1	6.9	5.4
Imported	mil.	2.3	2.5	2.2	2.5	2.4	2.3	.0
Dealers inventories**	mil.	1.2	1.4	1.3	1.3	1.4	1.4	16.7
Factory shipments**	mil.	6.6	6.7	6.8	6.8	7.2	6.9	4.5
Light-duty truck sales	mil.	2.2	2.0	2.3	2.2	2.1	2.2	.0

Indicator	Unit	1984	1985 1	2	3	4	1985	% (1)
Passenger cars								
Total sales	mil.	9.2	9.3	9.5	9.3	9.7	9.5	3.3
Domestic	mil.	6.9	7.0	7.2	7.2	7.3	7.3	2.8
Imported	mil.	2.3	2.3	2.3	2.1	2.4	2.2	4.8
Dealers inventories**	mil.	1.4	1.5	1.4	1.5	1.6	1.5	7.1
Factory shipments**	mil.	6.9	7.1	7.0	7.3	7.5	7.2	7.2
Light-duty truck sales	mil.	2.2	2.0	2.3	2.0	1.9	2.1	5.3

*Historical data (1 % change over previous year **Seas. not adjusted

INCOME

Corporate profits bounced ahead, after taxes, by 14.7 percent in the second quarter. That was the best showing since 1975. KEDI had been projecting healthy gain in corporate profits.

However, the situation is still bad for some industries. Next year, gains will be more widespread. The forecast here for profits by industry in 1984 is given. Overall, the list should bring a smile to many faces. Look at all that good news.

KEDI PROJECTION OF PROFITS

(Percentage increase in 1984 over 1983)

Airlines	29
Aerospace	36
Autos & Equipment	31
Building Materials	22
Chain Stores	36
Chemicals	41
Electrical Equipment-Electronics	18
Forest Products	12
Office Equipment and Computers	14
Petroleum Products	8
Rubber	22
Paper and Products	18
Textiles	21
Railroads	14
Utilities	12
Banks	8

1.70 MONEY AND CREDIT

(Table 1.70 on page 24)

The assumption that there would be tightening by the Fed in the latter part of this year has been held at KEDI for the past two years. It is now reality. That tightening has been increasingly seen as necessary by other economists recently.

In the view of this Institute, the Federal Reserve does not have a lot of room for easing or tightening. The forecast for M1 and M2 show both aggregates will be close to the upper limits during the rest of this year. It appears the reining-in of monetary and credit policy that was begun

TABLE 1.50 FEDERAL AND STATE AND LOCAL BUDGETS
(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983 1	2	3	4	1983	% (1)
Federal govt.:								
Income taxes	bil.$	304.7	297.7	304.3	292.1	308.7	300.7	-1.3
Corporate prof. tax accruals	bil.$	46.5	48.6	59.0	64.7	68.9	60.3	29.7
Surplus/deficit	bil.$	-147.1	-183.3	-163.7	-180.9	-172.1	-175.0	19.0
State and local governments:								
Income taxes	bil.$	97.4	104.1	108.4	110.5	113.6	109.2	12.1
Corporate prof. tax accruals	bil.$	12.7	12.9	16.0	17.2	18.0	16.0	26.0
Surplus/deficit	bil.$	31.3	40.4	37.5	41.1	42.3	40.3	12.9

Indicator	Unit	1983	1984 1	2	3	4	1984	% (1)
Federal govt.:								
Income taxes	bil.$	300.7	312.5	321.7	328.8	339.5	325.6	8.3
Corporate prof. tax accruals	bil.$	60.3	64.6	68.9	73.6	76.8	71.0	17.7
Surplus/deficit	bil.$	-175.0	-164.0	-159.2	-149.3	-139.7	-153.1	12.5
State and local governments:								
Income taxes	bil.$	109.2	115.9	118.0	120.1	123.4	119.4	9.3
Corporate prof. tax accruals	bil.$	16.0	18.9	19.7	21.5	22.8	20.7	29.4
Surplus/deficit	bil.$	40.3	45.0	47.2	48.5	50.1	47.7	18.4

Indicator	Unit	1984	1985 1	2	3	4	1985	% (1)
Federal govt.:								
Income taxes	bil.$	325.6	345.6	352.8	360.3	368.9	356.9	9.6
Corporate prof. tax accruals	bil.$	71.0	78.1	80.1	82.0	83.2	80.1	12.8
Surplus/deficit	bil.$	-153.1	-122.4	-119.7	-111.2	-98.6	-113.0	-26.2
State and local governments:								
Income taxes	bil.$	119.4	125.0	127.8	131.3	136.2	130.1	8.9
Corporate prof. tax accruals	bil.$	20.7	23.0	23.2	23.6	23.9	23.4	13.2
Surplus/deficit	bil.$	47.7	51.1	51.6	52.3	53.1	52.0	9.1

*Historical data (1) % change over previous year

MONEY AND CREDIT

in June and July was sufficient enough to curtail inflationary pressures. Any easing of policies would be a mistake and lead to harder measures in 1984.

It is also true that it would be an error to tighten policy any more. Interest sensitive sectors such as autos, housing, and business capital investment are already slowing. Further restrictions would hurt them and the recovery too much.

For 1984, KEDI forecasts some easing of monetary and credit conditions around the middle of the year. Forecast data show easing will not encourage inflationary tendencies to any worrisome degree at that time. KEDI assumes any easing of monetary and credit policy at that time would also be appropriate to the international economic situation.

The forecast of consumer credit, business loans, and other aggregates has not been changed significantly. Recent development have been confirming forecasts made here. For instance, consumer debt was up by a record 4.41 billion in June, and commercial and industrial loans advanced only marginally. KEDI expects commercial and industrial loans will stabilize for the rest of this year and will be gaining slowly throughout 1984. Mortgage loans will also stabilize and will be increasing more significantly in 1984. To the end of 1984 the ampunt of mortgage loans outstanding will increase by approximately 7 percent when compared with the expected amounts at the end of this year.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

(Table 1.80 on page 26)

The forecast is not changed. The recent increases in interest rates have fulfilled the projections made here for quite some time.

KEDI assumes that interest rates are approaching the top. No significant increases will occur during the rest of this year. Some slight declines may take place in December or in January. In general, interest rates will stabilize in the first part of the next year. They will move down a bit in the latter part of 1984.

In the fourth quarter of 1984 the prime rate will be close to 10 percent, the conventional mortgage rate close to 12 percent, and the AAA corporate

TABLE 1.60 INCOME

(Quarterly data are seasonally adjusted at annual rates)

Indicator	Unit	1982*	1983 1	2	3	4	1983	% (1)
Personal income	bil.$	2578.6	2657.7	2715.8	2781.0	2845.3	2750.0	6.6
Personal disposable income	bil.$	2176.5	2255.9	2303.3	2378.4	2423.0	2340.1	7.5
Compensation of employees	bil.$	1865.7	1923.7	1968.8	1990.1	2052.6	1983.8	6.3
Corporate after tax profits	bil.$	115.1	108.2	127.1	135.8	146.9	129.5	12.5
Personal saving	bil.$	125.4	121.7	92.2	126.3	131.5	117.9	-6.0
Average weekly earnings	$	330.1	342.3	351.1	354.2	360.1	351.9	6.6

Indicator	Unit	1983	1984 1	2	3	4	1984	% (1)
Personal income	bil.$	2750.0	2906.4	2978.8	3044.4	3128.9	3014.6	9.7
Personal disposable income	bil.$	2340.1	2478.0	2539.1	2595.5	2666.0	2569.7	9.7
Compensation of employees	bil.$	1983.8	2102.1	2134.3	2175.1	2239.2	2162.7	9.0
Corporate after tax profits	bil.$	129.5	153.2	158.9	164.3	167.5	161.0	24.3
Personal saving	bil.$	117.9	139.7	148.4	156.3	159.8	151.1	28.0
Average weekly earnings	$	351.9	366.3	372.5	379.6	385.2	375.9	7.0

Indicator	Unit	1984	1985 1	2	3	4	1985	% (1)
Personal income	bil.$	3014.6	3173.9	3231.6	3279.7	3310.4	3248.9	7.7
Personal disposable income	bil.$	2569.7	2703.3	2751.0	2788.1	2805.3	2761.9	7.4
Compensation of employees	bil.$	2162.7	2269.4	2300.2	2338.7	2358.6	2316.7	7.1
Corporate after tax profits	bil.$	161.0	172.3	175.1	178.3	180.5	176.6	9.6
Personal saving	bil.$	151.1	159.4	161.6	157.8	155.3	158.5	4.9
Average weekly earnings	$	375.9	387.8	389.7	395.9	403.4	394.2	4.8

*Historical data (1): % change over previous year

INTEREST RATES, YIELDS, AND SECURITIES PRICES

bonds rate below 12 percent.

Any ups or downs in interest rates this year or next will not be dramatic. For the whole period the rates will remain at historically high levels. KEDI is not as gloomy as Alan Greenspan. He is an unofficial adviser to President Reagan. He sees the prime rate going up another one or one and one-half points. KEDI does not expect such gains.

The forecast of the stock market is not changed. No significant ups or downs are projected for the rest of this year or 1984. In the last quarter of this year and in the first quarter of 1984 some declines are assumed. In the second half of 1984 the upwards trend will resume.

3.00 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue, State and Local Governments Purchases of Goods and Services for the year 1982 has been selected for comparison. The actual figure is in the Survey of Current Business, No.5, May 1983, p.8, (U.S. Department of Commerce, Washington, D.C., monthly.) Forecast data are from Business Forecasts 1982 (Federal Reserve Bank of Richmond, Richmond, Virginia, February 1982.)

The following table shows the predictions of forecasters and deviations of forecast data.

Table 2.00 COMPARISONS OF ACCURACY OF PREDICTIONS

(State and Local Purchases of Goods and Services, bil.$)

Actual Figure: 389.4

Forecaster	Date of Forecast	Forecast	Page of Business Forecasts 1982	% of Accuracy
Prudential	11/30/81	385.0	7	-1.1
National Securities and Research Corp.	12/81	387.0	7	-.6

(Continues on page 26)

TABLE 1.70 MONEY AND CREDIT
(Data for "Currency and demand deposits, M1", "Time deposits, adjusted, M2", and "Large denomination time deposits" are averages of daily figures; other data are end of period figures)

Indicator	Unit	1982*	1983 1	2	3	4	1983	% (1)
Currency and demand deposits,M1	bil.$	475.4	490.3	512.1	517.1	524.3	511.0	7.5
Time deposits, adjusted,M2	bil.$	1918.2	2043.6	2096.3	2169.8	2204.5	2128.6	10.9
Consumer instal. credit	bil.$	343.4	342.6	350.7	358.2	368.9	368.9	7.4
Commerc.& indus. loans at banks	bil.$	393.2	397.8	401.3	409.5	412.1	412.1	4.8
Large denomination time dep.	bil.$	319.6	301.6	304.7	307.1	312.4	306.5	-4.1
Mortgages at S & L Assns.	bil.$	482.4	484.1	503.8	511.2	517.5	517.5	7.3

Indicator	Unit	1983	1984 1	2	3	4	1984	% (1)
Currency and demand deposits,M1	bil.$	511.0	530.8	537.2	549.6	561.7	544.8	6.6
Time deposits, adjusted, M2	bil.$	2128.6	2238.6	2290.7	2331.7	2406.5	2316.9	8.8
Consumer instal. credit	bil.$	368.9	370.4	377.9	385.2	394.1	394.1	6.8
Commerc.& indus. loans at banks	bil.$	412.1	415.6	420.7	423.1	429.8	429.8	4.3
Large denomination time dep.	bil.$	306.5	312.8	315.1	317.2	318.6	315.9	3.1
Mortgages at S & L Assns.	bil.$	517.5	512.4	532.7	541.3	556.4	556.4	7.5

Indicator	Unit	1984	1985 1	2	3	4	1985	% (1)
Currency and demand deposits,M1	bil.$	544.3	568.1	573.2	591.4	601.8	583.6	7.1
Time deposits, adjusted,M2	bil.$	2316.9	2452.6	2523.8	2620.7	2712.6	2577.4	11.2
Consumer instal. credit	bil.$	394.1	400.7	404.3	409.8	415.8	415.8	5.5
Commerc.& indus. loans at banks	bil.$	429.8	432.6	434.7	436.9	441.2	441.2	2.7
Large denomination time dep.	bil.$	315.9	322.4	328.6	330.5	334.4	329.0	4.1
Mortgages at S & L Assns.	bil.$	556.4	563.1	566.4	570.6	573.2	573.2	3.0

*Historical data (1) % change over previous year

COMPARISONS OF ACCURACY (Table 2.00 Continued)

Forecaster	Date of Forecast	Forecast	Page of Business Forecasts 1982	% of Accuracy
U.S. Trust Company, New York	12/81	384.0	9	-1.4
Calvin C. Myers, The Merchants National Bank of Aurora	12/81	385.0	9	-1.1
Walter D. Fackler, University of Chicago	12/9/81	380.0	11	-2.4
United Business Service	12/14/81	382.0	11	-1.9
Georgia State	11/81	388.0	15	-.4
Harris Trust and Savings Bank	11/12/81	384.3	17	-1.3
UCLA	12/81	377.3	20	-3.1
Metropolitan Life Insurance Company	12/1/81	388.0	21	-.4
Standard & Poor's Corporation	12/10/81	395.0	24	1.4
Manufacturers Hanover Trust	12/11/81	378.5	25	-.5
Fidelity Bank	12/18/81	384.1	26	-1.4
KEDI	1/1/82	391.8	28	.6
Morgan Guaranty Trust Company	1/7/82	382.8	30	-1.7

TABLE 1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES
(Quarterly averages of monthly figures)

Indicator	Unit	1982*	1983 1	2	3	4	1983	% (1)
Treasury bills (3 mo) yield	%	10.20	8.07	8.13	9.41	9.52	8.78	-13.9
Prime rate	%	14.86	10.82	10.50	10.82	11.09	10.81	-27.3
Conventional mortgages rate	%	15.57	13.11	12.29	13.26	12.87	12.88	-17.3
Aaa corporate bonds rate	%	13.78	11.81	11.44	12.18	12.36	11.95	-13.3
20 years Govt. bonds yield	%	12.70	10.89	10.96	11.48	11.57	11.23	-11.6
Standard & Poor's 500 avg.	1941-43=100	119.75	145.26	142.77	141.56	138.72	142.08	18.6

Indicator	Unit	1983	1984 1	2	3	4	1984	% (1)
Treasury bills (3 mo) yield	%	8.78	9.48	9.27	9.04	8.86	9.16	4.4
Prime rate	%	10.81	10.89	10.76	10.16	10.04	10.46	-3.2
Conventional mortgages rate	%	12.88	12.67	12.79	12.45	12.27	12.55	-2.6
Aaa corporate bonds rate	%	11.95	12.49	12.58	12.32	12.11	12.38	3.6
20 years Govt. bonds yield	%	11.23	11.84	12.14	11.92	11.73	11.91	6.0
Standard & Poor's 500 avg.	1941-43=100	142.08	139.54	141.22	144.97	139.61	141.34	-5

Indicator	Unit	1984	1985 1	2	3	4	1985	% (1)
Treasury bills (3 mo) yield	%	9.16	8.75	8.81	8.86	8.54	8.74	-46
Prime rate	%	10.46	10.02	10.36	10.52	10.13	10.26	-1.9
Conventional mortgages rate	%	12.55	12.10	11.74	11.83	11.95	11.91	-5.1
Aaa corporate bonds rate	%	12.38	12.24	12.67	12.72	12.54	12.54	1.3
20 years Govt. bonds yield	%	11.91	11.98	12.14	12.32	11.88	12.08	1.4
Standard & Poor's 500 avg.	1941-43=100	141.34	138.66	136.42	130.27	128.51	133.47	-5.6

*Historical data (1), % change over previous year

4.00 HISTORICAL DATA SOURCES

For the reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the historical source. The sources are: Survey of Current Business referred to as SCB (monthly, U.S. Department of Commerce, Washington, D.C.), Federal Reserve Bulletin, FRB, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly), Index of Industrial Production, G.12.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly).

Table 3.0 HISTORICAL DATA SOURCES

Table No.	Data Series	Source
1.11 REAL GROWTH	Gross national product, 1972$	SCB, Table 1.2
	Index of industrial production	IIP, page 2
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.12 REAL GNP	Gross national product	SCB, Table 1.2
	Personal consumpt. expend.	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Government purchases of goods and services:	
	Federal	SCB, Table 1.2
	State and local	SCB, Table 1.2
1.21 PRICES	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators:	
	GNP	SCB, Table 7.1
	Personal consumpt. expendit.	SCB, Table 7.1
	Gross private dom. investment	SCB, Table 7.1
	Federal purchases of goods and services	SCB, Table 7.1
1.22 NOMINAL GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expendit.	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Government purchases of goods and services:	
	Federal	SCB, Table 1.1
	State and local	SCB, Table 1.1

(Table 3.00 continues on the following page)

Table 3.0 HISTORICAL DATA SOURCES (Continued)

Table No.	Data Series	Source
1.30 EMPLOYMENT AND LABOR	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employed	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 HOUSING	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, exist.	FRB, Table 2.14
1.42 AUTOMOBILES	Passenger cars:	
	Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 FEDERAL AND STATE AND LOCAL BUDGETS	Federal government:	
	Income taxes	SCB, Table 3.2
	Corporate profit tax accr.	SCB, Table 3.2
	Surplus/deficit	SCB, Table 3.2
	State and local governments:	
	Income taxes	SCB, Table 3.3
	Corporate profit tax accr.	SCB, Table 3.3
	Surplus/deficit	SCB, Table 3.3
1.60 INCOME	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 MONEY AND	Currency and demand dep.,M1	FRB, Table 1.21
	Time deposits, adjusted,M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.56
	Commercial and industr.loans	FRB, Table 1.
	Large denomin. time deposits	FRB, Table 1..
	Mortgages at S&L Assoc.	FRB, Table 1.55
1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES	Treasury bills (3 mo) yield	FRB, Table 1.10
	Prime rate	FRB, Table 1.33
	Convent. mortgages rate	FRB, Table 1.10
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years govt. bonds yield	FRB, Table 1.10
	Standard & Poor's 500 average	FRB, Table 1.36